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May 17, 2002

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, DC 20554

**Ex Parte: Access Charge Reform and Price Cap Performance Review for Local
Exchange Carriers - CC Docket Nos. 94-1 and 96-262**

Dear Ms. Dortch:

On May 16, 2002, Bob McDonnell, Ed Shakin, and the undersigned, met with Kyle Dixon of Chairman Powell's office to discuss Verizon's filings in support of the scheduled increases in the subscriber line charge caps originally established under the CALLS access charge plan. The attached material was used in the meeting.

Pursuant to Section 1.1206(a)(1) of the Commission's rules, an original and one copy of this letter are being submitted to the Office of the Secretary. Please associate this notification with the record in the proceedings indicated above. If you have any questions regarding this matter, please call me at (202) 515-2530.

Sincerely,

A handwritten signature in cursive script, appearing to read "W. Scott Randolph".

W. Scott Randolph

Attachment

cc: Kyle Dixon

**Cost Review Proceeding for Residential and Single-Line Business
Subscriber Line Charge (SLC) Caps
(CC Docket Nos. 96-262, 94-1)**

The Verizon Cost Submissions Fully Support An Increase In The SLC Rate Cap

- The CMT, BFP and forward-looking cost study results for the Verizon jurisdictions justify the scheduled increase.
- The CALLS plan is intended to provide regulatory certainty and a clear blueprint for all parties in making their business plans. The scheduled increase in the rate cap to \$6.00 is an integral part of the overall CALLS plan.
- In the *CALLS Order*, the Commission adopted the average Price Cap CMT per-line as part of the capping mechanism for SLCs.
- The Commission found that the elimination of PICCs and CCL charges on IXC's through phased-in increases in SLCs would eliminate distortions in the rate structure. Residence and single-line business customers currently receive a subsidy of about \$1.19 billion from the interexchange carriers and multiline business customers
- There is no reason to stray from the rules put into place with CALLS.

Forward Looking Economic Costs Should Not Be Used To Set Rates

- The forward-looking costs analyses should not be used to prescribe a maximum subscriber line charge or to limit the revenues for price cap carriers.
- Price cap maximum rates are not based on forward-looking costs. The Commission's access charge reform policies rely primarily on market forces, rather than rate prescriptions, to set access charges.
- When the Commission adopted the Synthesis Cost model, it made it clear that the model was developed solely for the purpose of distributing universal service support and not for developing rates.

There Is No Need To Reargue Issues That Are Outside The Scope Of This Proceeding

- Section 254(k) addresses cost allocation rules, not the method by which costs are recovered under the CALLS plan. Loop cost allocation, as recommended by NASUCA, discourage deployment of DSL services and should be rejected. The loop costs are the same whether a customer purchases dial tone service alone or dial tone plus DSL

Access Lines By SLC Ranges

	SLC < \$5.00	\$5.01 to \$6.00	\$6.01 to \$6.49	SLC @ \$6.50
Access Lines	842,050	10,531,533	27,448,738	22,233,053
% of Total	1.4%	17.2%	45.0%	36.4%

Verizon							
SLC Cost Information							
						Jul-02	Jul-03
					25%	SLC Cap @ \$6.00	SLC Cap @ \$6.50
State	COSA	Company Name	CMT	BFP	FLC	Rate @ cap Y or N	Rate @ cap Y or N
A	B	C	D	E	F	G	H
IL	GAIL	Verizon Illinois (summary GTE)	\$8.14	\$6.65	\$12.32	Y	Y
IN	GAIN	Verizon Indiana (summary GTE/Contel)	\$9.31	\$6.62	\$14.43	Y	Y
MI	GAMI	Verizon Michigan (summary GTE/Contel)	\$7.02	\$7.39	\$11.48	Y	Y
MO	COMT	Verizon Missouri (summary Contel)	\$6.39	\$10.64	\$11.84	Y	N
PA	COPT	Verizon Pennsylvania (summary Contel)	\$10.54	\$5.96	\$16.74	Y	Y
SC	GTST	Verizon So. Carolina (summary GTE/Contel)	\$10.53	\$7.61	\$9.22	Y	Y
CA	GTCA	Verizon California Inc.	\$7.55	\$5.95	\$8.58	Y	Y
CA	COCA	Verizon California Inc.	\$8.54	\$6.72	\$19.40	Y	Y
NV	CONV	Verizon California Inc.	\$13.66	\$7.84	\$13.51	Y	Y
FL	GTFL	Verizon Florida Inc.	\$8.34	\$7.50	\$8.07	Y	Y
HI	GTHI	Verizon Hawaii Inc.	\$7.26	\$6.91	\$14.27	Y	Y
MO	GTMO	Verizon Midwest Inc.	\$6.79	\$11.85	\$9.22	Y	Y
OH	GTOH	Verizon North Inc.	\$7.91	\$6.94	\$10.92	Y	Y
PA	GTPA	Verizon North Inc.	\$7.62	\$6.68	\$11.31	Y	Y
WI	GTWI	Verizon North Inc.	\$6.57	\$7.53	\$11.42	Y	Y
IL	COIL	Verizon North Inc.	\$9.95	\$5.25	\$10.28	Y	Y
IN	COIN	Verizon North Inc.	\$9.67	\$5.75	\$14.33	Y	Y
ID	GTID	Verizon Northwest Inc.	\$16.35	\$15.39	\$11.96	Y	Y
OR	GTOR	Verizon Northwest Inc.	\$10.21	\$7.06	\$10.18	Y	Y
WA	GTWA	Verizon Northwest Inc.	\$9.37	\$6.46	\$9.49	Y	Y
WA	COWA	Verizon Northwest Inc.	\$12.10	\$5.62	\$15.79	Y	Y
AL	GTAL	Verizon South Alabama Inc.	\$9.97	\$12.88	\$12.81	Y	Y
KY	GTKY	Verizon South Inc.	\$9.27	\$8.41	\$10.41	Y	Y
NC	GTNC	Verizon South Carolina Inc.	\$10.95	\$9.47	\$8.43	Y	Y
VA	GTVA	Verizon South Inc.	\$8.55	\$12.20	\$12.86	Y	Y
KY	COKY	Verizon South Inc.	\$7.60	\$14.09	\$19.83	Y	Y
NC	CONC	Verizon South Inc.	\$10.12	\$9.21	\$17.57	Y	Y
VA	COVA	Verizon South Inc.	\$12.75	\$6.99	\$9.74	Y	Y
TX	GTTX	Verizon Southwest Inc.	\$8.49	\$7.97	\$8.74	Y	Y
TX	COTX	Verizon Southwest Inc.	\$9.84	\$9.96	\$18.40	Y	Y
AL	COAL	Verizon South Inc.	\$8.33	\$16.60	\$17.25	Y	Y
State	COSA	Company Name					
DC	CDDC	Verizon Washington DC Inc.	\$3.81	\$3.97	\$6.05	N	N
MD	CMMD	Verizon Maryland Inc.	\$5.68	\$5.44	\$7.08	N	N
VA	CVVA	Verizon Virginia Inc.	\$6.53	\$6.33	\$7.55	Y	Y
WV	CWWV	Verizon West Virginia Inc.	\$8.21	\$7.63	\$12.39	Y	Y
NJ	NJNJ	Verizon New Jersey Inc.	\$6.21	\$5.96	\$7.33	Y	N
PA	PAPA	Verizon Pennsylvania Inc.	\$6.00	\$5.81	\$8.45	Y	N
DE	DSDE	Verizon Delaware Inc.	\$6.41	\$6.37	\$6.01	Y	N
NY/NE	NXTR	Verizon New York/New England	\$6.41	\$5.88	\$6.24	Y	N

Source: 2001 Annual filing Tariff Review Plan, Form CAP-1, line 460, Verizon Telephone Companies, Transmittal Nos. 53, 54, 56, effective July 1, 2001.